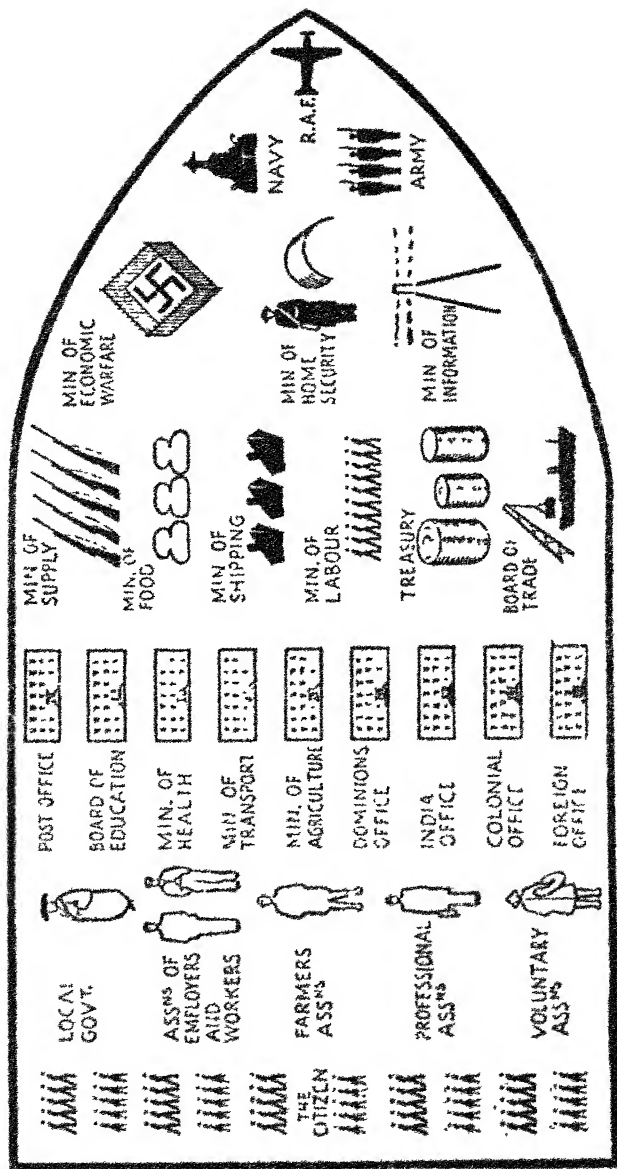


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# HOW BRITAIN'S RESOURCES ARE MOBILIZED

BY  
MAX NICHOLSON

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IN war the whole effort of the nation must be concentrated on defeating the enemy. In order to do this, not only must huge numbers of civilians take up arms in the navy, army, or air force, but the work of hundreds of thousands of others must be diverted from peace-time needs to munitions of war, fresh supplies of war materials must be transported across the sea (and paid for), and vast measures of defence against enemy air raids must be undertaken. 'Total' warfare demands that the needs of every citizen must be subordinated to the overriding claims of the nation at war. To this end the whole economic life of the community has to be organized so that the maximum production for purposes of war may be achieved with the minimum of waste. It is the purpose of this Pamphlet to describe the State controls set up in Britain to concentrate the war-effort of the nation.

Mr. Max Nicholson is General Secretary of 'P.E.P.' (Political and Economic Planning), a research association which has investigated and published independent reports on a large range of British industries and public services. He has served for a time in one of the new Government departments described in this Pamphlet, and, since writing the Pamphlet, has joined the Ministry of Shipping.

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## HOW BRITAIN'S RESOURCES ARE MOBILIZED

### Control in Peace and in War

**I**N peace-time we in Great Britain have never done things according to a plan which could be put down in advance on paper. Our course has been decided, not by central planning, but through the countless everyday decisions of millions of consumers accepting or refusing millions of articles and services at millions of different prices. All the families in the country unconsciously combine to determine, say, that we shall burn between 30 and 40 million tons of raw coal a year in our homes rather than a hundred millions, or none at all, and that we shall read nearly four million more newspapers on Sundays than on weekdays. Industries, therefore, do not take their orders from some all-powerful controller; they can only be guided by past experience, eked out by surveys of what random samples of consumers are saying and doing.

While each consumer can take or leave what is put before him, he cannot ensure that the design or price or quality of any of the articles offered him is to his liking. On the other hand, the producer can, according to his enterprise, skill, and taste, offer or withhold new designs, qualities, and materials, and can alter prices and conditions of service in such a way as to widen or narrow the demand for his products, and to increase or diminish his own earnings. The producer thus in fact exercises a control, which is none the less real and effective because it is not enforced under Order in Council. In peace-time petrol may be delivered by vehicles of several

different colours under several different names, while in war it all goes round in grey tankers and is all called 'Pool'. The methods and policies of the two controls vary, but both are controls. And in every aspect of our life we are faced with controls. Our Personal Finance Controller (commonly called the bank manager) arbitrarily decrees that we shall not spend beyond a certain limit. The Milk Controllers (commonly called dairymen) decree that if we live in Birmingham we may only have milk delivered once a day, while in London we may have it twice, in peace-time. The Cricket Controllers (who choose to call themselves the Committee of the Marylebone Cricket Club) decree the precise conditions under which the national game is to be played. Many men have been broken by the rulings of the Controllers of Horse Velocity Contests, *alias* Stewards of the Jockey Club, whose dictates are none the less formidable because they lack statutory authority. And many of the most fervent critics of war-time control submit to such thorough-going agencies of professional government as the General Medical Council, the Stock Exchange Committee, the Bar Council, and the Committee of Lloyd's, all of which exercise powers of life and death over the careers of those who fall within their jurisdiction.

It is wrong therefore to think of a system of control as something peculiar, in peace-time, to totalitarian States. No human society can function without some such system. The controls imposed on us by the war machine are, of course, much more far-reaching and drastic than those of peace. Undoubtedly, also, such controls are more unpleasant than those to which we almost unconsciously sub-

mitted our daily lives before the war. They are unpleasant partly because they are new and strange, and are still learning how to efface themselves and to win acceptance, as the older controls have done. They are distasteful also because, instead of adjusting the background of our lives so that we conform to their purposes, they have to brandish penalties and instructions before us, and to submit us to the indignities and inconveniences of getting a licence for this and a licence for that. But above all they are repellent because, instead of at least pretending to serve our common interests as individuals, they exist for the purpose of subordinating individual demands to government demands. In peace the satisfaction of the individual British consumer is the first claim on national resources; in war it is the last, at any rate after the minimum has been done to keep him in working order. To the indignity of being openly controlled there is thus added the indignity of being relegated to a place of unconcealed insignificance in the scheme of things.

In time of peace the theory was that the whole body of consumers, by bidding against one another for the services of competing producers, would achieve the maximum satisfaction of their total wants possible in the conditions of the period. Even in peace, however, two important exceptions had to be made. First of all, large numbers of consumers were so obviously unable to get any tolerable satisfaction out of the system that its working had to be modified by controls in order that they should get a larger share—for example, the social services, compulsory workmen's tickets on passenger vehicles, and limitations on rents. Secondly, the long shadow

of war already made it necessary to divert an appreciable share of the national income to defence measures—to building tanks, warships, and aircraft, arsenals and 'shadow factories', to training men, to buying reserve stocks of essential commodities, to keeping agriculture and shipping in adequate condition, and to many other purposes.

When the German assault upon European civilization took on a military form it was not therefore necessary to build up a war economy from scratch. The task was rather to make the war economy which already existed dominate, instead of being dominated by, the normal peace-time pattern.

### **The Five Forces**

In war the problem is to mobilize available resources in such a way as to enable the maximum strength to be exerted at the decisive points in the struggle by the five Forces—the Navy, Army, Air Force, Economic Warfare, and Propaganda. Each of these forces has its own Department of State—the Admiralty, War Office, Air Ministry, Ministry of Economic Warfare, and Ministry of Information.<sup>1</sup> But the evolution of these forces, although following a remarkably similar pattern, is at very different stages. Each began, and the last two remain, as organizations hurriedly got together for the purposes of war, and having lives limited to its duration. Each has therefore grown out of a body of civilians—yeomen, landowners, sailors, and fishermen, sportsmen, en-

<sup>1</sup> Propaganda is at present shared between two departments, as Enemy Propaganda is carried on independently of the Ministry of Information, and the Foreign Secretary answers for it in Parliament.



gineers, bankers, economists, authors, historians, and advertising men—who have brought to their tasks skill and training obtained in their peace-time activities and have gradually worked out how to turn that skill and training to the needs of war.

### **Navy, Army, and Air Force**

In the case of naval warfare the scale and specialization of the task have long made it necessary to maintain a standing force of ships and men fully adequate for all contingencies, although even here such incidents as the *Rawalpindi's* last battle serve as reminders that the merchant service still bears, beyond its own special risks, the burden of augmenting the Navy with fighting ships as well as fighting men. A standing army came later, and in Britain has remained to this day much more of a cadre ready for rapid expansion in case of need than a full-scale permanent force. Both the Army and the Navy, however, arrived centuries ago at such a stage that they needed a substantial organization for supply, and in the conditions of the time it seemed natural that the Crown should itself establish and operate the necessary dockyards and arsenals. Thus throughout the age of *laissez-faire* the British Government continued to operate engineering shops and to manufacture arms and ammunition, although it relied largely upon warships, guns, and ammunition ordered from private industry. During the last war, the State also manufactured aircraft on a large scale. This time, although many State-owned aircraft factories have been built, all are managed by private enterprise, and the main work of military aircraft production

and development has been left to private undertakings. In shipbuilding the trend has been rather different: from 1 February 1940 the Admiralty have become responsible for all shipbuilding and repairs, mercantile as well as naval.

### **Economic Warfare and Propaganda**

While all branches of defence are becoming increasingly technical, the new arms of economic warfare and propaganda are most conspicuous for their high proportion of technicians as against rank and file. This is partly due to the fact that they rely upon the other services for actual contact with the enemy—it is, for instance, the Navy which stops and searches shipping for contraband on behalf of the Ministry of Economic Warfare ('M.E.W.'). It is partly also due to the fact that they are concerned only within narrow limits in producing or handling the physical material with which they are concerned.

M.E.W. may announce that it has seized impressive tonnages of contraband oil and metals, but this booty is not itself transported to the vaults of the Ministry; it is all handled by other branches of government. Similarly the Ministry of Information neither owns nor operates the wireless and communications networks, the Press, the film and photographic studios, the cinemas, the hoardings, and the printing works through which its news and views are put out to the world. Outside its headquarters it only controls a small regional staff at home and a number of Press Attachés and other representatives abroad.

The Ministries of Economic Warfare and of Information are, in fact, General Staffs without any

specific forces attached to them, and therefore without any normal mechanism of command. Such an arrangement can probably only occur in a democratic State; in a totalitarian country where there are no scruples about the utmost governmental control over trade and over public opinion, the natural course would be to carry on economic warfare through a Ministry of Economics combining also the functions of our Board of Trade, Department of Overseas Trade, and Ministry of Supply, and to carry on propaganda through a single State publishing and broadcasting undertaking such as Dr. Goebbels commands.

Both economic warfare and propaganda, again, are alike in having started with a negative function more definite and conspicuous than their positive function, which will, however, become increasingly important as the war goes on. M.E.W.'s negative function is the control of contraband, including German exports to be seized as reprisals, by deciding in every given case what is to be detained and what is to go free, and by keeping close watch on the military implications of production and trade movements all over the world. Its more positive role is to buy up crops and supplies which are physically accessible to and are badly wanted by the enemy, to compel the enemy to waste man-power and foreign exchange, and to advise the armed forces how best to hinder the functioning of the enemy's economy. The Ministry of Information's negative function has been the Press censorship, which shortly after the war became so unpopular that the then Minister divested himself of responsibility for it. It may well be brought back openly

under the control of the Ministry—it has always been housed in the same building—and other censorship functions may be expected to be brought into line. The main positive functions of this Ministry are to instruct and educate public opinion at home, in the Empire, and in Allied and neutral countries about the war efforts and aims of the Allies. Our enemy propaganda aims at telling the German people what is being hidden from them, by means of broadcasts, leaflets, and other media.

### Civil Defence

A sixth department, the Ministry of Home Security, represents the latest of all additions to the organization of national defence. The Minister, who is also Home Secretary, has to co-ordinate arrangements for Civil Defence, including the Air Raid Warden, Fire, First Aid, Rescue and Demolition, Decontamination, and Police services. The total number of whole-time and voluntary members of these services is enormous; their paid personnel alone at present exceeds three hundred thousand men and women, not counting the regular police, firemen, and local government services. Home Security resembles Economic Warfare and Information in being mainly a General Staff. It differs, however, in important respects. Although its task of providing against air-raid damage and casualties has highly technical aspects, it is a much larger administrative job than either of the other two Ministries have to face. There is accordingly a large administrative staff, including fourteen<sup>1</sup> Regional

<sup>1</sup> There are twelve regions, but London and Wales each have two Commissioners.

Commissioners who, if communications are broken, may exercise all the powers of government in their own regions. Again, although the actual employment of air-raid precautions staff and the arrangements for control on the spot, provision of shelter, and so on, is in the hands of local authorities, the Ministry is indirectly a big user of man-power and materials. Although execution is in local hands, initiative and responsibility inevitably rest with Whitehall.

### **The Big Six Economic Departments**

Behind these six forces which are directly involved in active or passive defence stand the Big Six economic departments—the Treasury, the Board of Trade, the Ministries of Supply, Food, and Shipping, and the Ministry of Labour and National Service. These departments must provide the men, the money, the ships, the munitions, the steel helmets and gas masks, the paper, the food, and the innumerable other resources needed by the forces already described.

### **The Treasury**

The main functions of the Treasury in time of peace need not be described here, and its war-time problems have already been analysed in another pamphlet in this series (No. 25, *Paying for the War*, by Geoffrey Crowther).

The changes which are taking place in connexion with the Treasury's functions as a co-ordinator of economic policy will be dealt with on a later page.

### **The Board of Trade**

The functions of the Board of Trade are so complex and varied that it is almost impossible to describe briefly their bearing upon economic strategy. The Board was for many years the only department concerned with trade and industry, but in recent times newer ministries have taken over one after another of its more unwieldy functions—Labour, Transport, and, since the summer of 1939, Supply,<sup>1</sup> Food, and Shipping. In addition, since the last war, exports (but not imports) have become the concern of the Department of Overseas Trade, whose policy is controlled jointly by the Board of Trade and the Foreign Office. Since tariff protection became general, the independent Import Duties Advisory Committee has assumed important functions touching imports (but not exports). The importance of coal as a national asset is recognized by having a special Parliamentary Secretary for the Mines Department, which is part of the Board of Trade.

The President of the Board of Trade has, therefore, a miscellaneous remnant of functions which have yet to be taken over by newer and more compact departments. He is the Lord High Everything Else in economic policy. At the beginning of the war he was mainly concerned with urgent questions of domestic policy such as war risks insurance for commodities and the Price of Goods Act, with a variety of licensing measures for imports, exports, and other purposes, and with regulations against trading with the enemy. More recently the need

<sup>1</sup> The Ministry of Supply has taken over certain functions from the War Office and others from the Board of Trade.

for increasing exports has overshadowed all else, and the President has created an Export Council, which, unlike many previous bodies set up to advise Government Departments, has been given an outstandingly strong permanent staff of experienced civil servants, with important stiffening from the business world.

The Board of Trade has suffered considerably in the inter-war period from backwardness of economic outlook and from weak leadership, but those who go by its past reputation may be pleasantly surprised when the effects of recent changes in personnel become more apparent. As the department most intimately connected with industry and commerce in general the Board can hardly fail to receive a stimulus from the recent trend towards closer relations between industry and the State, and in particular from the insistent demands for a thorough reorganization of British export methods and for closer economic relations with France.

### **The Ministry of Supply**

A Ministry of Supply had long been advocated in time of peace by members of all parties. In April 1939, the doubling of the Territorial Army and the bringing in of conscription called for a huge increase in military supplies. The Prime Minister therefore decided to create a Ministry of Supply, but to confine the Minister's duties to the supply of the Army<sup>1</sup> and to a certain number of general functions. The most important of these are the replenishment of stocks of raw materials, and

<sup>1</sup> The Navy and Air Force retaining their own independent supply organizations except for certain items of common use such as small arms.

the control of the use of these materials and the prices at which they are sold. For example, this Ministry controls all raw wool and also cloth, whether it is to be used for army, naval, or air force uniforms, but is not concerned with making up for the Navy and Air Force. It is, therefore, in the Ministry of Supply that we find most of the controllers whose actions are so copiously criticized in the Press and in Parliament. Owing to the expectation that the war would begin with mass air raiding many of these controls were scattered about the country, sometimes in districts where the industry concerned is localized (such as jute in Dundee and wool in Bradford), but often in such arbitrarily chosen spots as Shrewsbury for aluminium and Epsom for molasses.

In order to prevent waste of resources controls were set up for those materials which threatened to run short. The Government thus became virtually the sole purchaser of copper, lead, zinc, wolfram, pyrites, sulphur, phosphate rock, flax, wool, timber, wood pulp, esparto, molasses, and a number of other important categories of raw materials. The regulatory powers of the controllers are therefore backed by a strong commercial bargaining power, since the controller of each commodity is at one stage or another the sole owner of appreciable stocks of that commodity. To a large extent the controllers work on their own, but the Central Priority Department of the Ministry of Supply governs the rationing of materials, advising the controls of the amounts to be allowed for different purposes, and allocating manufacturing capacity between rival claims.



The sudden changeover, on the outbreak of war, from the peace-time system to State control naturally caused at first a good deal of dislocation. This dislocation has undoubtedly been aggravated in many industries because the headquarters of the controllers have been so curiously distributed over the country, and because many firms have moved their offices to places without adequate facilities, especially for telephoning. It is notable that industries such as iron and steel, which had already achieved a high degree of organization and were able to retain their own methods and personnel, have found relatively little difficulty in fitting into the new order, while industries which had previously resisted all attempts to promote co-operation are now complaining either of too much control or in some cases of too little. The reasons for these differences in experience are to be found in the facts pointed out at the beginning of this pamphlet. All industries have worked, consciously or unconsciously, according to some form of control, but war conditions are much more easily met by those which have consciously looked to a visible centre of co-operation and authority than by those which have insisted upon being swept blindly along by unseen economic forces. In the first case not only are there the advantages of a working organization and personal contacts, but there is the educational background of having brought some at least of the factors affecting the industry out into the light of day by joint effort, and having learnt to debate marketing, production, and other policies with a view to operating some form of self-government. In such ways a common background has been

created which has often made unnecessary the imposition of the more rigid types of control, and has enabled those concerned to keep in step, while the more individualistic industries, once their raw material has been rationed or their operations have been interfered with, have found themselves so helpless that they have had to ask for instructions in the most minute detail.

Control in 1939-40 has, however, been much less repugnant to industry than control in 1914-18. Last time the virtues of free competition were still almost unchallenged, and secrecy and suspicion between competitors were the rule. This time, even before the war, such strongholds of individualism as the agricultural, fishing, coal-mining, iron and steel, and cotton textile industries had been led by hard experience to organize themselves more or less completely under Acts of Parliament, while many of the more prosperous newer industries had either retained parts of control schemes from the last war or had created new controls through agreements on patent rights, markets, and so forth. Far beyond the United Kingdom, international arrangements for tin, aluminium, copper, iron and steel, rubber, tea, sugar, wheat, beef, timber, and many other commodities have achieved, especially during the years since the 1929-33 slump, a significant degree of order.

This war, therefore, has simply accelerated and intensified trends which were already powerful and general, and the protests against control have not unnaturally been loudest in those sections of business life where favoured groups, usually of middlemen, have been most successful hitherto in resisting

changes which might have shown that some of them were redundant. It is only fair to add that some of those who have opposed control are among the most efficient and enterprising members of their industries, or are genuinely anxious about threats to the interests of consumers, not always without good reason. Criticism has fastened in particular upon the policy of appointing as controller of an industry one of its leading figures, rather than a civil servant or a business man drawn from some other industry, and it has been suggested that this practice leads to unfairness between trade competitors, or alternatively that it enables a trade to get together and use governmental powers for exploiting its customers or for averting inconvenient sacrifices.

Such criticisms are very necessary; only constant vigilance and ruthless exposure of abuses can secure standards of integrity in such a mixed economic system as has been forced upon us by the war. At the same time too much can be made of the general argument against entrusting control of an industry to those financially interested in it. In some cases it has undoubtedly led to trouble and to abuses, but in others it has worked well; much depends on the personal character of the controllers, and controllers from outside an industry, although sometimes outstandingly successful, are liable to offset their advantages by serious disabilities, the most obvious being ignorance of the problems before them. In some cases the technical knowledge of the controllers has enabled them to defeat foreign speculative manœuvres, and to bring off bulk long-term purchases on terms very favourable to the Allies.

While much has been said and written about the

various commodity controls, less attention has been given to the Ministry of Supply's division of the United Kingdom into thirteen areas. By a useful administrative reform these have been made to coincide with the regions of the Civil Defence Commissioners under the Ministry of Home Security, which are also used as units by other departments, and it is unfortunate that the term 'region' rather than 'area' should not be adopted by all. This regional system has important possibilities: it will ensure that the industrial resources of Great Britain and Northern Ireland are thoroughly surveyed not only industry by industry but also according to the capacity of all undertakings in a given area, whether they are large or small, and whatever industry they belong to.

### **The Ministry of Food**

The Ministry of Food exercises for foodstuffs powers similar to those of the Ministry of Supply for raw materials. As an immense trading concern it dominates the food markets not only of the United Kingdom but of the world, for no other nation is so large an importer of food. The Ministry buys and sells between £400 millions and £500 millions worth of foodstuffs a year, and is the only buyer of meat, whale oil, bacon, butter, tea, sugar, dried fruits, and some other foodstuffs. In addition it controls the price of potatoes, milk and condensed milk, herring and canned salmon. Through the system of rationing for butter, bacon, sugar, and meat the Ministry is brought in touch with every British household, and with all food retailers, restaurants, and hotels. We now know that the course of the past

war was greatly influenced by the food supply of the belligerents at various stages, and perhaps one of the strongest points in British war economy is the wealth of expert knowledge which is available for the planning of an adequate national diet. A remarkable proportion of the world's leading nutrition experts are British, and their discoveries, which have revolutionized knowledge of the subject during the past twenty years, have been taken into account by the Ministry, which, in the form of the Food (Defence Plans) Department, was at work long before the outbreak of war. It would not be surprising if as a result of the war far-reaching and permanent improvements in British diet were to be brought about by the application of knowledge which has not yet permeated through the mass of the population. It is to be hoped also that the war will lead to a more satisfactory organization of home-produced foodstuffs, responsibility for the supply of which falls on the Ministry of Agriculture.

### **The Ministry of Shipping**

The task of the Ministry of Shipping, although difficult, is in some ways the most straightforward of all. Not only the quantity of tonnage but the uses to which it can be put and the methods of operating it are confined within clear limits, and these limits were worked out in the last war with remarkable clarity and thoroughness by Sir Arthur Salter, and others who are again prominently concerned with him in the direction of the Ministry of Shipping. Now that the Admiralty has taken over all responsibility for shipbuilding, and that nearly all imported foodstuffs and raw materials

are controlled, the Ministry can concentrate upon securing the utmost possible service out of the available volume of tonnage, despite U-boats, magnetic mines, convoy delays, congestion in the ports, and the other difficulties inseparable from the German warfare against merchant shipping.

The Ministry has already developed its organization almost as far as we had got after three years of the last war. Most of the British merchant fleet has already been requisitioned and neutral vessels are being chartered or bought. It is due to the Ministry, as well as to the Admiralty, that the first onslaught of German torpedoes, gunfire from submarines and surface raiders, naval and aerial minelayers, and aerial bombing and machine-gunning, has yielded results so disappointing to the Nazis. No consideration can stand in the way of providing for the men of the mercantile marine and fishing fleets the utmost protection and the utmost degree of effective organization which can be devised for their safety and welfare, and little time has been lost in passing from negative licensing of voyages to positive government direction of the use of shipping in the national interest. Much carrying capacity can be saved by fetching imports from nearer sources of supply, by arranging return loads instead of bringing ships back in ballast, and by other devices which become possible when all available tonnage can be managed as one unit.

### **The Ministry of Labour and National Service**

The sixth of the key economic departments is the Ministry of Labour and National Service. During

the last war the importance of planning the use of man-power was only belatedly recognized. By July 1915 many of the key industries were being hampered by the loss of a large proportion of their workers, the toll being nearly 24 per cent. for chemicals, explosives, and electrical engineering, about 22 per cent. for cycle and motor manufacture and for coal-mining, and not much less for the main engineering and metal industries. Owing to the thoughtless assumption that the armed forces should scramble for what men and supplies they could get, it was found that their most vital munitions were not being adequately provided. Key men who had been encouraged to volunteer through misplaced patriotism had to be combed out of the army and sent back to factories and mines which could not meet the strain without them.

When after Munich the full risks of a second German war became apparent, one of the first great tasks of economic defence was therefore to devise a comprehensive system of priorities for the use of man-power. The first step in this direction was the framing of a Schedule of Reserved Occupations, designed to ensure that work of national importance should not be endangered through losing too many men to the armed forces. This Schedule is under constant revision to meet changing needs. It ensures that there will be in each skilled occupation enough men reserved from military service to provide all necessary supplies. The second was the passage in May 1939 of the Military Training Act providing for universal compulsory service between the ages of 20 and 21. At the same time a voluntary Central Register was opened, with the assistance of

many professional organizations, to be followed after the outbreak of war by a universal compulsory register which for the first time in history provided every inhabitant of the United Kingdom with a numbered identity card. Immediately the war began compulsory military service was extended to cover all men up to the age of 41, and Parliament also passed the Control of Employment Act to secure the fullest information about movements of key workers, and where necessary to influence these movements for the national advantage. By these and other means the Government provided that the demands of the Services should be met for the future without allowing men with important amounts of specialized training and skill to be wasted in work which could be done by others.

The comprehensiveness, the smooth working, and the almost universal acceptance of this control of man-power are remarkable. The very fact that the control has operated so easily has caused its enormous significance to be underrated. Margarine manufacturers may cry to heaven about the unfairness of pooling margarine, builders may attack the control of timber, but the control of the nation's man-power, in matters of life and death, has up to now been little criticized. A nation which for generations has regarded compulsory military service as a denial of liberty has come to see in it, reluctantly but unquestioningly, the essential safeguard of liberty. Genuine conscientious objection has been respected through a system of tribunals, and other special provision has been made to meet hard cases, but the nation has by common consent asserted the principle that its citizens owe it in case



of need the most effective service that they can give, and has devised the machinery by which that principle can be wisely enforced.

### **The Case for War-time Control**

Such a control of man-power would evidently not be tolerable if the unlimited personal sacrifices which it may involve were to be made heavier by a failure to enforce equally uncompromising conscription of other national resources, in so far as they are needed. Here is perhaps the most critical weakness in the situation of a nation relying upon a system of free enterprise in time of war. Abruptly to nationalize every activity means risking widespread dislocation, and expensive blunders by a bureaucracy and a business community set to work a system which is not only unwieldy but strange and little understood. It also involves damping down or prohibiting all sorts of activities which are harmless or even indirectly beneficial in maintaining the national morale. On the other hand, to rely upon a system of uncontrolled private enterprise for meeting the needs of modern war is to court discontent and deficiencies in supply. The more orders are placed with private undertakings the more scope is given for earning large profits, which can hardly be checked where speed of output is essential, and which cannot be entirely recovered to the State by the most ruthless taxation system. Thus at the very moment when the citizen's purse and temper are strained by the losses of income, increases in cost, and shortages of goods inevitable during war, some favoured groups of employers, managers, and workers find themselves better off

than before, and naturally begin spending money freely. The result, when supplies of goods are short, is to bid up prices, thus raising the cost of living, inspiring demands for increased wages and starting the 'vicious spiral' of inflation.

There are two ways by which such a tendency may be attacked. One is to check spending by extra taxation, by voluntary and forced saving, and by rationing. This method has already been examined by Mr. Geoffrey Crowther in Pamphlet No. 25 of this series, *Paying for the War*. The other method, which concerns us here, is to limit the proportion of the national income which ever reaches the individual, by government ownership or strict control of the sources of earnings.

The case for widespread Government ownership or control of economic activity in time of war rests on three main grounds. First, on moral grounds: to permit particular groups of financiers, employers and workers even to appear to gain in prosperity out of the misery and losses of life of their fellows is an outrage which the State, as trustee for the nation, has a duty to prevent—a duty which is made graver than ever before by the enforcement of compulsory military service. Secondly, on grounds of financial policy: no scheme, however ingenious, for stopping the individual from keeping and spending what he has earned can compare in simplicity and effectiveness with a system by which the State appropriates, for the duration of the war, a large proportion of the earnings *before* capital and labour are rewarded, instead of afterwards. Where shortages may occur, the making of excessive private profits can most effectively be checked by the Government becoming

the sole purchaser of the material and, as has been shown, this has been done in many cases. Thirdly, on grounds of efficiency: while it would be futile to deny that particular Government departments have been, and still are, frequently guilty of serious inefficiency, it must be remembered that much of the trouble is due to a number of factors which war tends gradually to eliminate, such as lack of strong leadership, excessive attention to precedents and seniority, reluctance to engage or promote men who may take risks, reluctance to make extensive changes in organization and method, fear of attacks in Parliament and in the Press, complicated systems of control over public expenditure, and numerous checks and safeguards in the interests of the personal and property rights of ordinary citizens. War both applies the accelerator to the Government machine and at the same time dismantles some of the extra brakes with which it is so plentifully equipped by a watchful legislature. Such changes can, however, only occur under pressure and in an atmosphere where outspoken criticism is not treated as 'unpatriotic'. In such conditions Government departments have achieved results which need not fear comparison with private enterprise. The achievements of State control in war-time are apt to be judged by comparing them with some ideal believed to be attainable, or actually attained in favourable conditions, and it is well that they should be judged by such an exacting test. But it is essential also to compare these achievements with the general level of achievement of private enterprise engaged in similar work.

The British nation rightly pays some six hundred

men and women to watch and criticize with the utmost publicity all that is done in its name, and the doings of Government departments are subject to constant and outspoken criticism, which is often effective, sometimes undeserved, and often also deserved but ineffective. The shareholder or customer of private enterprise who indulges in similarly pointed criticism does so at his own expense, without any such legal privilege as attaches to criticism in Parliament, and often also without the Press going out of its way to give currency to criticisms which may involve risks of libel and of offending powerful groups of advertisers or readers. While, therefore, ample weight is given to obvious criticisms of public enterprise, the corresponding weaknesses of private enterprise are much less known. Everyone reads accounts of the Controller of X or the Minister of Y and his hordes of officials, but few compare the staffs employed and the work done in these cases with the performance of, say, a big industrial assurance company, which swallows up in administrative expenses from 30 to 40 per cent. of the pennies collected in premium income, or a dairy farm which requires a larger payment for delivering each gallon of milk than the farmer gets for producing it. A rough calculation indicates that the Ministry of Supply, including the majority of commodity Controllers, keeps its administration costs down to a fraction of one per cent. of the value of contracts placed; how many commercial undertakings could show a similar ratio? One leading national newspaper in 1937 published figures showing no less than 40 per cent. of its employees to be engaged in canvassing—an occupation generally

admitted to be almost wholly wasteful and now abandoned without any conspicuous effects on circulation. Another national newspaper at the same time was spending £400,000 a year on canvassing and publicity, or about the cost of the Foreign Office and the Mines Department put together.

While it is true that Government control demands large staffs for functions which can either be cut out or more simply performed under private enterprise, it is no less true that private enterprise, especially where distribution is concerned, supports armies of brokers, clerks, salesmen, canvassers, and others who can be released for more valuable work under a system of Government control. Perhaps the most striking illustration of this is that at the end of the last war, with over half of the 1914 labour force and plant absorbed in the armed forces or in supplying their needs, Great Britain was still able, without any net assistance from abroad, to feed, clothe, and maintain the civilian population without a severe decrease, and for some classes without any decrease at all, in standards of living.

### **Importance of 'Bottlenecks'**

During the changing course of war dangerous, and often unforeseen, shortages are discovered now in one necessity of war, now in another. Such shortages may, and generally do, restrict the whole war-effort of the nation, as the narrow neck of a bottle restricts the flow of its contents.

We do not yet know what the chief bottleneck will be in this war. In 1914 it was expected to be finance. For many years the capacity of the Treasury for financing desirable measures had steadily lagged

behind our ability to find the technical skill, the man-power, the materials, the land, the political backing, and whatever other elements might be needed for putting projects into practice. Many people therefore not unnaturally expected, in August 1914, that the war must soon end for lack of means to pay for it. They were entirely wrong. The first acute shortages which limited our war effort were a shortage of trained men for the army and a disastrous lack of munitions. So serious was the latter that Mr. Lloyd George took the unorthodox course of giving up the Chancellorship of the Exchequer for the newly created office of Minister of Munitions. As British industrial strength was harnessed behind the task of supplying the armed forces, the problem of finding sufficient foreign exchange to pay for imports became dominant, until in the spring of 1917 the unrestricted U-boat campaign and the entry of the United States into the war made shipping the overriding consideration until the Armistice. But while in foreign exchange we can temporarily draw on our capital, we cannot by any device draw this year on any of last year's or next year's carrying capacity of shipping.

Wherever the chief bottleneck may be found this time, it will certainly not be in the national finances. The establishment of the Ministry of Supply, coupled with the freedom from large-scale hostilities in the early months of this war, ought to avert a repetition of the serious munitions shortage of 1915, although it is much too early to assume that the organization of supply need cause no anxiety. Man-power may prove short, especially in skilled jobs such as the key tasks in engineering. Foreign ex-

change and shipping are again liable to be important limiting factors.<sup>1</sup> We have large resources in both, but in both we must see that priority is given to essentials, and that non-essentials are curtailed if not eliminated. Those who decide what the order of priority shall be, both in the short run and in the main programme, must closely watch the bottlenecks where danger may develop, and they must also inevitably exercise a far-reaching influence upon the whole trend of economic activity.

On the other hand, no Prime Minister and no Head of the Civil Service would suggest conferring in cold blood on any operating department powers of control so far-reaching as were in fact exercised by the Ministry of Shipping (with the Allied Maritime Transport Council) during 1918, owing to a series of unforeseen pressures which gave shipping a position of special importance. In government, as in other activities, all favour co-ordination, but all treat the co-ordinator as a common enemy, unless he is wise enough to co-ordinate without talking about it, with the aid of some strategic position, or unless he is backed by overwhelming political strength for the time being, or finally unless (as quite often happens) he is so feeble that he can be ignored.

### **Who Controls the Controls?**

This raises our final question, who controls the controls? Although the Ministry of Supply possesses a Committee of Controllers it is not there, or indeed in any single department, that the answer is to be found. In any system, and especially in a

<sup>1</sup> See Pamphlet No. 23 in this series, *The Sinews of War*, by Mr. Geoffrey Crowther.

system run by Englishmen, it may be misleading to look for the centre of control at a point which is so labelled. The real centre may be labelled something quite different, or may even be unlabelled and unrecognized as a centre of anything. Or more likely still, there may be no one centre, but merely a complex series of pulls between partial or shifting centres.

The central mechanism has recently been described in Parliament. Under the War Cabinet a body has been set up called the Economic Survey, consisting of Lord Stamp as chairman, Professor Henry Clay, Mr. H. D. Henderson, and Mr. Francis Hemming—the two last being former secretaries of the Economic Advisory Council set up by Mr. Ramsay MacDonald. They meet three times a week and consider all the main economic questions connected with the conduct of the war, including questions which are only partly economic. They are free to choose their subjects, and are helped by a small staff of picked economists who prepare reports. Having formed its views the Survey either makes direct suggestions to the departments concerned, or puts up recommendations to an inter-departmental committee.

Questions touching more than one department are referred to this second committee, again under Lord Stamp, which also has problems referred down to it from Ministers or raised by its own members. This committee, including the Head of the Civil Service and the permanent heads of the leading economic departments, is responsible for keeping departments in step, and for reconciling divergent practices and views, short of questions of high



policy. Such questions have necessarily to be referred to a body of responsible Ministers in charge of the same economic departments. This Ministerial Committee has Sir John Simon, Chancellor of the Exchequer, as its chairman, and a personal link with the other two through the attendance of Lord Stamp as an adviser.

The Ministerial Committee deals with subjects brought up from below or raised by its members, and when they are beyond its power to decide on its own responsibility they are brought before the War Cabinet by the Minister or Ministers concerned.

In addition to the Ministerial Committee on Economic Policy there are four others dealing with Military Operations and Intelligence, Home Policy, Civil Defence, and Priority Questions. Of these, only the last has a direct bearing on war economics. It is under the chairmanship of Lord Chatfield, the Minister for the Co-ordination of Defence, who is also chairman of a Ministerial Committee on Military Co-ordination, including the heads of the three Service Departments and the three Chiefs of Staff. Provision is thus made for decisions on priorities to be taken with full knowledge of the claims of the defence departments, as well as the views of those responsible for supply and transport. The machinery, therefore, exists for all the arguments to be heard concerning the best use of stocks and tonnage, and for decisions to be taken in the light of both facts and policy.

Even the War Cabinet, however, is not the ultimate pinnacle of the structure. We are fighting this war in an Alliance which is closer than any alliance of the past between two great nations, and above

the Cabinets of the United Kingdom and France is a Supreme War Council representing both. This Supreme War Council has held several meetings on both sides of the Channel, and is backed by a remarkable series of interlocking Franco-British arrangements. Each of the leading departments in London has French officials in it, while corresponding British officials are working in Paris. Above all the Allied executives there is an Anglo-French Coordinating Committee under the chairmanship of M. Jean Monnet, who was one of the four members of the successful Allied Maritime Transport Executive in the last war, and afterwards joined the Secretariat of the League of Nations. M. Monnet is forming a staff which will examine how to use the resources of the British Commonwealth of Nations and the French Empire as if they belonged to one people—a people which includes nearly one-third of the population of the world, controls approximately one-third of its land surface, and has the resources decisively to guide the development of civilization, if only it can learn to use its own strength sanely and coherently.

## PUBLISHER'S NOTE

FOR those who wish to read in more detail about the background and causes of the present state of the world, the following notes may be of some assistance.

The best and most up-to-date general picture of England as she was from the rise of Germany in 1870 to the outbreak of the First World War is given in Mr. Ensor's book *England 1870-1914* (15s.), which is Volume 14 of the new *Oxford History of England*. A reliable German account of German foreign policy during the same period is given in E. Brandenburg's *From Bismarck to the World War* (trans. by A. E. Adams, 15s.). Mr. C. R. M. F. Cruttwell's *History of the Great War 1914-1918* (15s.) may be recommended as the standard one-volume work on the subject. Mr. G. M. Gathorne-Hardy deals with the period between the two wars in his *Short History of International Affairs, 1920-1938* (8s. 6a.), a book issued under the auspices of the Royal Institute of International Affairs.

The two volumes of *Speeches and Documents on International Affairs*, edited by Professor A. B. Keith (World's Classics, 2s. 6d. each), and the selection of political writings in Sir Alfred Zimmern's *Modern Political Doctrines* (7s. 6d.) illustrate the conflict of doctrines so much in evidence to-day.

The outbreak of the present war is described and discussed in the brilliant series of lectures delivered to crowded audiences in Oxford in the first 'war-term' of 1939 by H. A. L. Fisher, A. D. Lindsay, Gilbert Murray, R. C. K. Ensor, Harold Nicolson, and J. L. Brierly, and collected and published in one volume under the title *The Background and Issues of the War* (6s.).

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